

Report of the auditor-general to Limpopo Provincial Legislature and Council on Vhembe District Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of Vhembe District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget information with actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Vhembe District Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act no 56 of 2003) (MFMA), and the Division of Revenue Act no. 01 of 2018 (DORA).

Basis for qualified opinion

Property, Plant and equipment

3. The municipality did not recognise items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. I identified a difference between the financial statements as per note 7 to financial statements and the underlying records amounting to R15 940 752. The effect on the financial statements was that property, plant and equipment was overstated by R15 940 752, while accumulated depreciation and depreciation were overstated by undetermined amounts. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.
4. Included in infrastructure assets amounting to R2 913 523 380 as per note 7 to the financial statements are assets amounting to R49 271 346 that were written-off in the previous year. These assets were restated in the current year, but restatement could not be substantiated by supporting audit evidence. In addition, the nature and the amount of the correction for these assets were not disclosed in the prior period error note. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the infrastructure assets stated at R2 913 523 380 (2018: R2 914 612 806) in the financial statements.

Cash and cash equivalents

5. I was unable to obtain sufficient appropriate audit evidence for cash payments recorded in the cash book, as internal controls had not been established for the processing of payments in the financial records before their release for payment by the bank. I could not confirm cash

payments recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R235 171 458 in the financial statements.

6. The municipality did not restate cash and cash equivalents comparative figures in accordance with GRAP 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. The municipality made payments in the prior year amounting to R96 294 064 and these were not recorded in the accounting records. The correction made has not been accounted for and disclosed as an error in terms of GRAP 3. Consequently, comparative balances for cash and cash equivalent and payables from exchange transactions are overstated by R96 294 064.
7. The municipality did not account for cash and cash equivalents in accordance with the GRAP 1, *Presentation of financial statements*. I identified outstanding payments amounting to R47 886 473 that were processed in the accounting records but not processed by the bank. Consequently, cash and cash equivalents is understated by R47 886 473 and payables from exchange transactions understated by the same amount.

Receivables from non-exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for Musina debtors due to the status of accounting records. I was unable to confirm these balances by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to Musina debtors stated at R242 028 550 (2018: R211 725 609) in note 4 to the financial statements.
9. During 2018, I was unable to obtain sufficient appropriate audit evidence for sundry debtors and to confirm the sundry debtors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to sundry debtors stated at R13 710 596. My audit opinion on the financial statements for the period ended 30 June 2018 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the sundry debtors for the current period.

Payable from exchange transaction

10. I was unable to obtain sufficient appropriate audit evidence for accrued expenses due to the poor status of the accounting records. I could not confirm the accrued expenses by alternative means. In addition, I identified differences between the amount as per the financial statement and the underlying records amounting to R10 410 170. Consequently, I was unable to determine whether any further adjustments were necessary to accrued expenses stated at R353 216 573 in note 10 to the financial statements.
11. I was unable to obtain sufficient appropriate audit evidence for retention due to the poor status of the accounting records. I could not confirm the retention by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to retention stated at R129 642 464 in note 10 to the financial statements.
12. The municipality did not recognise all outstanding amounts meeting the definition of a liability in accordance with GRAP 1, *Presentation of financial statements*. As the municipality did not maintain adequate records of outstanding payments for goods and services received but not

yet paid at year-end, I was unable to determine the full extent of the understatement of trade payables and accrued expenses as it was impracticable to do so.

13. I was unable to obtain sufficient appropriate audit evidence for Musina creditors due to the poor status of the accounting records. I could not confirm the Musina creditors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to Musina creditors stated at R251 001 908 (2018: R220 165 830) in note 10 to the financial statements.

Provisions for leave

14. The municipality did not have an adequate system in place to maintain records of leave transactions. I identified a significant number of approved leave days that were not recorded in the accounting records. These leave days were included in the leave transaction report which was used to estimate leave pay provision for unused leave days at year end. As the municipality did not have an adequate system to maintain records of leave transactions, I was unable to determine the full extent of overstatement of leave pay provision and leave pay provision charge stated at R47 150 066 (2018: R43 089 790) and R6 793 580 (2018: R3 007 500) in notes 14 and 23 to the financial statements respectively, as it was impractical to do so.

Revenue from exchange transaction

15. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for revenue from sale of water due to the status of the accounting records and non-submission of information in support of revenue from sale of water. I was unable to confirm revenue from sale of water by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue from sale of water stated at R149 936 614 (2018: R136 417 381) in note 17 to the financial statements.
16. The municipality did not have adequate systems in place to bill consumers for water consumption for current and prior year. Meter readings and estimations were not consistently done on a monthly basis which resulted in consumers not being billed. In addition, I identified that the municipality incorrectly classified consumers as indigents resulting in understatement of revenue from sale of water. I was unable to determine the full extent of the understatement of revenue from sale of water and understatement of receivables from exchange transactions as it was impracticable to do so.

Expenditure

17. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for Musina water service expenditure due to the status of the accounting records and non-submission of information in support of Musina water service expenditure. I could not confirm Musina water service expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to water expenditure stated at R33 763 724 in note 31 to the financial statements.

Statement of comparison of budget and actual amounts

18. The SA Standards of GRAP 24, *Presentation of budget information in financial statements*, requires that the municipality presents separately, by way of a disclosure note, an explanation of material differences between the budgets for which the entity is held publicly accountable and actual amounts. The municipality did not provide explanations for the material differences

between budgeted and actual amounts as required by the GRAP 24. In addition, I identified material differences between the approved budget and the budget disclosed in the statement of comparison of budget and actual amounting to R44 159 995.

Cash flow statement

19. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for transactions in the cash flow statement due to the status of the accounting records and non-submission of information in support of cash flow statement. I was unable to confirm the cash flow statement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the cash flow statement in the financial statement.

Commitments

20. The municipality did not implement adequate internal controls for identifying and recording capital commitments. I identified differences between the amount as per the financial statement and the underlying records amounting to R39 153 220. Consequently, capital commitments disclosed in note 33 to the financial statements are understated by R39 153 220.

Contingent liabilities

21. The municipality did not account for contingent liabilities for current and prior year as required by GRAP 19, *Provisions, contingent liabilities and contingent assets*. I identified liabilities that are incorrectly accounted for as contingent liabilities. As the municipality did not maintain adequate records of contingent liabilities and payables, I was unable to determine the full extent of the overstatement of contingent liabilities and understatement of trade payables as it was impracticable to do so.

Irregular expenditure

22. The municipality did not record all instances of irregular expenditure as required by section 125(2)(d) of the MFMA. I identified a number of payments made in contravention of the supply chain management requirements (SCM) that were not disclosed in the accounting records. As the municipality did not have adequate systems and controls in place to ensure that all irregular expenditures are disclosed, I was unable to determine the full extent of the understatement of irregular expenditure stated at R83 025 107 (2018: R52 793 393) in note 38 to the financial statements as it was impractical to do so.

Fruitless and wasteful expenditure

23. The municipality did not record all instances of fruitless and wasteful expenditure as required by section 125(2)(d) of the MFMA. I identified a number of fruitless and wasteful expenditures that were not disclosed in the accounting records. As the municipality did not have adequate systems and controls in place to ensure that all fruitless and wasteful expenditures are disclosed, I was unable to determine the full extent of the understatement of fruitless and wasteful expenditure stated at R2 080 568 (2018: R1 219 118) in note 37 to the financial statements as it was impractical to do so.

Total current liabilities

24. Total current liabilities are materially misstated by R22 894 482 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Trade payables stated at R16 789 455 in the financial statements was overstated by R3 933 609.
- Trade payables stated at R16 789 455 in the financial statements was understated by R5 345 826
- Retentions stated at R129 642 464 in the financial statements was overstated by R12 041 663.
- The Sundry deposits total balance stated at R4 477 067 in the financial statements was overstated

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following items by alternative means:

- Trade payables amounting to R4 569 565 as included in the disclosed balance of R16 789 455 in the financial statements
- The Deferred revenue from water connections total balance amounting to R3 218 404 as included in the financial statements.

Consequently, I was unable to determine whether any further adjustment was necessary to total current liabilities

Context for the opinion

25. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.

26. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

27. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

28. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

29. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019

Material underspending of the conditional grant

30. As disclosed in note 13 of the financial statements, the municipality has materially underspent the budget on conditional grants to the amount of R93 029 819.

Material losses – Water

31. As disclosed in note 39 to the financial statements, material water losses of R204 153 887 (2018: R68 761 977) was incurred, which represents 40% (2018: 15%) of total water purchased. The losses were as a result of aging infrastructure assets.

Other matters

32. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

33. The supplementary schedule set out on pages xx to xx does not form part of the financial statement and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

34. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. The disclosure requirements did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

35. The accounting officers is responsible for the preparation and fair presentation of the financial statements in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
36. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

37. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

38. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

39. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
40. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
41. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2019.

Development priorities	Pages in the annual performance report
KPA 2: Basic service delivery and infrastructure development.	x – x
KPA 3 : Local Economic Development	x – x

42. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
43. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

KPA 1 –Basic service delivery and infrastructure development

44. The reported achievements of the indicators listed below were materially misstated, as the evidence provided did not agree with the reported achievements as follows:

Indicators	Reported achievement as per the APR	Achieved performance as per supporting documents	Difference
Number of boreholes repaired	4	5	-1
Number of boreholes constructed	14	11	3
Number of EPWP jobs created	40	36	4

Reported indicators and targets were not consistent when compared with planned indicators and targets

45. Planned indicators and targets specified in the service delivery budget implementation plan were not consistent with the reported achievement in the annual performance report for the following indicators:

Indicators

Planned Indicators per SDBIP	Reported Indicators per APR
Number of Tshivhindulu internal water reticulation done	Number of Tshivhindulu internal water reticulation and Tshikikini and Maaname boreholes constructed
% of reported and maintained water treatment work as per wwtr	% of reported and maintained water treatment work as per demand
Number of accident respond vehicle purchased	Number of fire accident respond vehicle purchased
Number of developmental games conducted	Number of early childhood developmental games conducted

Targets

Indicator	Planned targets per SDBIP	Planned targets per APR	Reported actual achievement per APR
Number of reports on solid waste transfer station constructed	1	0	-1
% of fire equipment's purchased as per demand	1	100%	100%

Performance indicators were not well-defined and targets were not specific and measurable

46. The source information for achieving the planned indicator was not clearly defined for the following indicators:

Indicator	Reason
Number of solid waste transfer station constructed	There is no process flow for the indicator therefore we could not test if the indicator is clearly defined

Performance indicators were not verifiable

47. The systems and processes that enable reliable reporting of achievement against the indicator were not adequately designed for the following indicators:

Indicator	Reason
% of reported and maintained water treatment work as per demand	% reported could not be verified as one listing was provided to support both the water and sewer indicators
% of sewer infrastructure repaired as per demand	% reported could not be verified as one listing was provided to support both the water and sewer indicators
Number of reports on solid waste transfer station constructed	There is no process flow for the indicator, no supporting evidence submitted.

KPA 2 – Local Economic Development

48. The reported achievements of the indicators listed below were materially misstated, as the evidence provided did not agree with the reported achievements as follows:

Indicators	Reported achievement as per the APR	Achieved performance as per supporting documents	Difference
Number of SMMEs Exhibitions/Shows conducted	6	4	-2

Reported indicators and targets were not consistent when compared with planned indicators and targets

49. Planned indicators and targets specified in the service delivery budget implementation plan were not consistent with the reported achievement in the annual performance report for the following indicators:

Indicators

Indicator	Annual Target Per The Adjusted SDBIP	Annual Target Per Annual Performance Report [2018-19 APR]
1). % of operation and maintenance done (Awelani Community project)	4	100%
2). % of operation and maintenance done (Vhembe fresh produce)-Market budget spent	4	0%
3). % operation and maintenance done per need (Agricultural Equipment Lending Depot)	4	100%

Targets

Indicator	Target Indicator Per The SDBIP	Target Indicator Per The Annual Performance Indicator	Audit Difference
Number of Africa day event conducted	2	1	1

Other matters

50. I draw attention to the matters below.

Achievement of planned targets

51. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and explanations provided for the under/ over of significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) x to x of this report.

Report on the audit of compliance with legislation

Introduction and scope

52. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

Annual financial statements, performance and annual report

53. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

54. Material misstatements of current assets, liabilities, revenue, expenditure, cash flow statement and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Assets management

55. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

56. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

Liabilities management

57. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.

58. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA

Expenditure management

59. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

60. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the payment of funds, as required by section 65(2)(a) of the MFMA.
61. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by awarding of contracts in contravention with SCM regulations.
62. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph.
63. Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.
64. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by expenditure relating to contracted services.

Revenue management

65. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
66. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Procurement and contract management

67. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c)
68. Awards were made to providers who were in the service of other state institutions in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
69. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
70. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5). Similar non-compliance was also reported in the prior year.
71. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as

required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year

Consequences management

- 72. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA
- 73. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 74. The condonation of irregular expenditure amounting to R644 245 966 was not approved by the appropriate relevant authority, as required by sections 1 and 170 of the MFMA.
- 75. Losses resulting from unauthorised expenditure were not recovered from the liable person, as required by section 32(2)(a) of the MFMA.
- 76. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Human Resource management

- 77. An approved staff establishment was not in place, as required by section 66(1)(a) of the Municipal Systems Act, 2000 (Act No 32 of 2000).

Other information

- 78. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
- 79. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
- 80. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Internal control deficiencies

- 81. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the

findings on the annual performance report and the findings on compliance with legislation included in this report.

- 82. The accounting officer and management did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with laws and regulations.
- 83. Consequence management was not implemented to deter non-performance and promote clean administration. The control environment remains concerning.
- 84. The basic accounting principles of daily and monthly accounting and reconciling of transactions have not been adequately implemented and monitored.
- 85. The financial statements and the annual performance report are not reviewed for accuracy and completeness by the accounting officer.
- 86. Internal controls for monitoring compliance with laws and regulations are ineffective as they do not detect and prevent instances of non-compliance with applicable laws and regulations.
- 87. The internal control monitoring mechanisms of the municipality are not functioning optimally, as many control weaknesses are only discovered during the audit of the financial statements and performance information.

Other reports

- 88. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
- 89. There is ongoing investigation by the Special Investigations Unit (SIU), Proclamation R51 of 2014, Published in GG 37884 dated 1 August 2014. The status of the investigation is "Active" as per the SIU website (<https://www.siu.org.za/2014.html>)

Auditor-General

Polokwane

05 December 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting office.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.